

AMENDED IN ASSEMBLY MAY 5, 2005

CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

ASSEMBLY BILL

No. 68

Introduced by Assembly Member Montanez
(Principal coauthor: Senator Speier)

January 3, 2005

An act to amend ~~Section~~ *Sections 2981 and 2982* of, and to add Sections 2982.2 and 2982.10 to, the Civil Code, to add Section 6012.3 to the Revenue and Taxation Code, and to amend ~~Sections 11709.2 and 11713.1~~ of, and to add ~~Section 11713.16~~ to, *to add Sections 11713.18, 11713.19, 11713.20, and 11713.21* to the Vehicle Code, relating to consumers.

LEGISLATIVE COUNSEL'S DIGEST

AB 68, as amended, Montanez. Motor vehicle sale contracts: ~~cooling-off period.~~ *Car Buyer's Bill of Rights.*

Existing law governs motor vehicle conditional sale contracts, as defined. These provisions require sellers of motor vehicles to make certain disclosures to buyers, including that existing law does not provide for a "cooling off" period, ~~or an opportunity for a purchaser to cancel the contract for any reason within a specified time period, with respect to a conditional sale contract for the purchase of a motor vehicle and to disclose certain information under the label "itemization of the amount financed."~~ A violation of these provisions is a misdemeanor.

This bill, *operative July 1, 2006*, would enact the Car Buyer's Bill of Rights. ~~The bill would provide that purchasers of used cars may cancel the motor vehicle sale contract within 3 days of delivery of the motor vehicle, under specified conditions, or during a longer period set forth in the sale contract, as specified, and may obtain a refund~~

~~from the seller, as defined. The bill would require the sale contract to contain a specified statement in that regard. Because a violation of these provisions would be a misdemeanor, the bill would create a new crime, thereby imposing a state-mandated local program.~~

This bill would inform a buyer of a used vehicle with a purchase price of less than \$40,000 about the right to obtain a contract cancellation option and would include the amount charged for a theft deterrent system, as defined, and the amount charged for a surface protection system, as defined within the listing of “itemization of the amount financed.”

The bill would require a seller to provide the buyer with a specified disclosure if a conditional sale contract is used disclosing, as specified, the charge for a service contract, an insurance product, a debt cancellation agreement, a theft deterrent device, or a surface protection product.

This bill would prohibit a seller, in consideration of an assignment of a conditional sale contract, from receiving or accepting from the assignee any payment or credit based upon any amount collected or received under the contract, or to be collected or received, in excess of specified amounts.

Existing law makes it a violation of the Vehicle Code, punishable as a misdemeanor, for the holder of a dealer’s license to do, or fail to do, specified actions with regard to the advertising and sale of motor vehicles.

~~This bill would expand those provisions to require dealers to conspicuously display a notice stating that purchasers of used cars may cancel the motor vehicle sale contract within 3 days, as specified, and to prohibit a dealer from advertising or selling a used motor vehicle as “certified,” or using similar descriptive terms to imply that a vehicle has been certified to meet the terms of a used vehicle certification program, unless it meets specified criteria. Because the violation of these provisions would be a misdemeanor, the bill would create a new crime, thereby imposing a state-mandated local program.~~

~~This bill would further provide with respect to a car loan, conditional sale contract, or any other mode of vehicle purchase financing, that a seller provide a buyer with specified information regarding his or her credit score and aftermarket items, as specified, and would prohibit markup of the finance charge rate above an unspecified limit, as specified. The bill~~

This bill would expand those provisions to prohibit a dealer from advertising or selling a vehicle as “certified,” or using similar descriptive terms to imply that the vehicle meets the terms of a used vehicle certification program unless that vehicle meets specified criteria. The bill would also prohibit adding charges to a sale or lease contract without the buyer’s consent and would prohibit inflating a payment or extending the maturity of contract for the purpose of disguising the actual charges for goods or services. Because

This bill would require a dealer that obtains a consumer credit score, as defined, from a consumer credit reporting agency, as defined, for use in connection with an application for credit initiated by a consumer for the purchase or lease of a motor vehicle for personal, family, or household use to provide specific information to the consumer prior to the sale or lease of that vehicle.

This bill would prohibit a dealer from selling a used vehicle, as defined, and having a purchase price of less than \$40,000, at retail to an individual for personal, family, or household use without first offering the buyer a contract cancellation option agreement, that does not exceed a purchase of \$250, and contains at, a minimum specified, specified information. The bill would specify the rights and duties of a buyer and dealer under a contract cancellation option agreement.

Because the violation of these provisions would be a misdemeanor, the bill would create a new crime, thereby imposing a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. (a) This act shall be known and may be cited as
- 2 the “Car Buyer’s Bill of Rights.”
- 3 (b) It is the intent of the Legislature to place limits and
- 4 restrictions on motor vehicle dealers licensed pursuant to Article
- 5 1 (commencing with Section 11700) of Chapter 4 of Division 5

1 of the Vehicle Code. Nothing in this act is intended to change or
2 limit the rights or defenses available under current law to an
3 assignee who obtains a conditional sale contract for value
4 without notice of any claim or defense against him or her by any
5 other person.

6 ~~SEC. 2. Section 2982 of the Civil Code is amended to read:~~

7 ~~2982. Every conditional sale contract subject to this chapter~~
8 ~~shall contain the disclosures required by Regulation Z, whether~~
9 ~~or not Regulation Z applies to the transaction. In addition, to the~~
10 ~~extent applicable, the contract shall contain the other disclosures~~
11 ~~and notices required by, and shall satisfy the requirements and~~
12 ~~limitations of, this section. The disclosures required by~~
13 ~~subdivision (a) may be itemized or subtotaled to a greater extent~~
14 ~~than as required by that subdivision, and shall be made together~~
15 ~~and in the sequence set forth in that subdivision. All other~~
16 ~~disclosures and notices may appear in the contract in any location~~
17 ~~or sequence and may be combined or interspersed with other~~
18 ~~provisions of the contract.~~

19 ~~(a) The contract shall contain the following disclosures, as~~
20 ~~applicable, which shall be labeled “itemization of the amount~~
21 ~~financed”:~~

22 ~~(1) (A) The cash price, exclusive of document preparation~~
23 ~~fees, taxes imposed on the sale, pollution control certification~~
24 ~~fees, prior credit or lease balance on property being traded in, and~~
25 ~~the amount charged for a service contract.~~

26 ~~(B) The fee to be retained by the seller for document~~
27 ~~preparation.~~

28 ~~(C) The fee charged by the seller for certifying that the motor~~
29 ~~vehicle complies with applicable pollution control requirements.~~

30 ~~(D) Taxes imposed on the sale.~~

31 ~~(E) The amount of any optional business partnership~~
32 ~~automation fee to register or transfer the vehicle, which shall be~~
33 ~~labeled “Optional DMV Electronic Filing Fee.”~~

34 ~~(F) The amount charged for a service contract.~~

35 ~~(G) The prior credit or lease balance remaining on property~~
36 ~~being traded in, as required by paragraph (6). The disclosure~~
37 ~~required by this subparagraph shall be labeled “prior credit or~~
38 ~~lease balance (see downpayment and trade-in calculation).”~~

39 ~~(H) Any charge for an optional debt cancellation agreement.~~

1 ~~(I) The total cash price, which is the sum of subparagraphs (A)~~
2 ~~to (H), inclusive.~~
3 ~~(2) Amounts paid to public officials for all of the following:~~
4 ~~(A) Vehicle license fees.~~
5 ~~(B) Registration, transfer, and titling fees.~~
6 ~~(C) California tire fees imposed pursuant to Section 42885 of~~
7 ~~the Public Resources Code.~~
8 ~~(3) The aggregate amount of premiums agreed, upon~~
9 ~~execution of the contract, to be paid for policies of insurance~~
10 ~~included in the contract, excluding the amount of any insurance~~
11 ~~premium included in the finance charge.~~
12 ~~(4) The amount of the state fee for issuance of a certificate of~~
13 ~~compliance, noncompliance, exemption, or waiver pursuant to~~
14 ~~any applicable pollution control statute.~~
15 ~~(5) A subtotal representing the sum of the foregoing items.~~
16 ~~(6) The amount of the buyer's downpayment itemized to show~~
17 ~~all of the following, as applicable:~~
18 ~~(A) The agreed value of the property being traded in.~~
19 ~~(B) The prior credit or lease balance, if any, owing on the~~
20 ~~property being traded in.~~
21 ~~(C) The net agreed value of the property being traded in,~~
22 ~~which is the difference between the amounts disclosed in~~
23 ~~subparagraphs (A) and (B). If the prior credit or lease balance of~~
24 ~~the property being traded in exceeds the agreed value of the~~
25 ~~property, a negative number shall be stated.~~
26 ~~(D) The amount of any portion of the downpayment to be~~
27 ~~deferred until not later than the due date of the second regularly~~
28 ~~scheduled installment under the contract and which is not subject~~
29 ~~to a finance charge.~~
30 ~~(E) The amount of any manufacturer's rebate applied or to be~~
31 ~~applied to the downpayment.~~
32 ~~(F) The remaining amount paid or to be paid by the buyer as a~~
33 ~~downpayment.~~
34 ~~(G) The total downpayment. If the sum of subparagraphs (C)~~
35 ~~to (F), inclusive, is zero or more, that sum shall be stated as the~~
36 ~~total downpayment and no amount shall be stated as the prior~~
37 ~~credit or lease balance under subparagraph (G) of paragraph (1).~~
38 ~~If the sum of subparagraphs (C) to (F), inclusive, is less than~~
39 ~~zero, then that sum, expressed as a positive number, shall be~~
40 ~~stated as the prior credit or lease balance under subparagraph (G)~~

1 of paragraph (1), and zero shall be stated as the total
2 downpayment. The disclosure required by this subparagraph
3 shall be labeled “total downpayment” and shall contain a
4 descriptor indicating that if the total downpayment is a negative
5 number, a zero shall be disclosed as the total downpayment and a
6 reference made that the remainder shall be included in the
7 disclosure required pursuant to subparagraph (G) of paragraph
8 (1).

9 (7) The amount of any administrative finance charge, labeled
10 “prepaid finance charge.”

11 (8) The difference between item (5) and the sum of items (6)
12 and (7), labeled “amount financed.”

13 (b) No particular terminology is required to disclose the items
14 set forth in subdivision (a) except as expressly provided in that
15 subdivision.

16 (e) If payment of all or a portion of the downpayment is to be
17 deferred, the deferred payment shall be reflected in the payment
18 schedule disclosed pursuant to Regulation Z.

19 (d) If the downpayment includes property being traded in, the
20 contract shall contain a brief description of that property.

21 (e) The contract shall contain the names and addresses of all
22 persons to whom the notice required under Section 2983.2 and
23 permitted under Sections 2983.5 and 2984 is to be sent.

24 (f) (1) If the contract includes a finance charge determined on
25 the precomputed basis, the contract shall identify the method of
26 computing the unearned portion of the finance charge in the
27 event of prepayment in full of the buyer’s obligation and contain
28 a statement of the amount or method of computation of any
29 charge that may be deducted from the amount of any unearned
30 finance charge in computing the amount that will be credited to
31 the obligation or refunded to the buyer. The method of
32 computing the unearned portion of the finance charge shall be
33 sufficiently identified with a reference to the actuarial method if
34 the computation will be under that method. The method of
35 computing the unearned portion of the finance charge shall be
36 sufficiently identified with a reference to the Rule of 78’s, the
37 sum of the digits, or the sum of the periodic time balances
38 method in all other cases, and those references shall be deemed
39 to be equivalent for disclosure purposes.

1 ~~(2) If the contract includes a finance charge which is~~
2 ~~determined on the simple-interest basis but provides for a~~
3 ~~minimum finance charge in the event of prepayment in full, the~~
4 ~~contract shall contain a statement of that fact and the amount of~~
5 ~~the minimum finance charge or its method of calculation.~~

6 ~~(g) (1) If the contract includes a finance charge which is~~
7 ~~determined on the precomputed basis and provides that the~~
8 ~~unearned portion of the finance charge to be refunded upon full~~
9 ~~prepayment of the contract is to be determined by a method other~~
10 ~~than actuarial, the contract shall contain a notice, in at least~~
11 ~~10-point boldface type if the contract is printed, reading as~~
12 ~~follows: "Notice to buyer: (1) Do not sign this agreement before~~
13 ~~you read it or if it contains any blank spaces to be filled in. (2)~~
14 ~~You are entitled to a completely filled-in copy of this agreement.~~
15 ~~(3) You can prepay the full amount due under this agreement at~~
16 ~~any time and obtain a partial refund of the finance charge if it is~~
17 ~~one dollar (\$1) or more. Because of the way the amount of this~~
18 ~~refund will be figured, the time when you prepay could increase~~
19 ~~the ultimate cost of credit under this agreement. (4) If you default~~
20 ~~in the performance of your obligations under this agreement, the~~
21 ~~vehicle may be repossessed and you may be subject to suit and~~
22 ~~liability for the unpaid indebtedness evidenced by this~~
23 ~~agreement."~~

24 ~~(2) If the contract includes a finance charge which is~~
25 ~~determined on the precomputed basis and provides for the~~
26 ~~actuarial method for computing the unearned portion of the~~
27 ~~finance charge upon prepayment in full, the contract shall contain~~
28 ~~a notice, in at least 10-point boldface type if the contract is~~
29 ~~printed, reading as follows: "Notice to buyer: (1) Do not sign this~~
30 ~~agreement before you read it or if it contains any blank spaces to~~
31 ~~be filled in. (2) You are entitled to a completely filled-in copy of~~
32 ~~this agreement. (3) You can prepay the full amount due under~~
33 ~~this agreement at any time and obtain a partial refund of the~~
34 ~~finance charge if it is one dollar (\$1) or more. (4) If you default~~
35 ~~in the performance of your obligations under this agreement, the~~
36 ~~vehicle may be repossessed and you may be subject to suit and~~
37 ~~liability for the unpaid indebtedness evidenced by this~~
38 ~~agreement."~~

39 ~~(3) If the contract includes a finance charge which is~~
40 ~~determined on the simple-interest basis, the contract shall contain~~

1 a notice, in at least 10-point boldface type if the contract is
2 printed, reading as follows: "Notice to buyer: (1) Do not sign this
3 agreement before you read it or if it contains any blank spaces to
4 be filled in. (2) You are entitled to a completely filled-in copy of
5 this agreement. (3) You can prepay the full amount due under
6 this agreement at any time. (4) If you default in the performance
7 of your obligations under this agreement, the vehicle may be
8 repossessed and you may be subject to suit and liability for the
9 unpaid indebtedness evidenced by this agreement."

10 (h) The contract shall contain a notice in at least 8-point
11 boldface type, acknowledged by the buyer, that reads as follows:

12 "If you have a complaint concerning this sale, you should try to
13 resolve it with the seller.

14 Complaints concerning unfair or deceptive practices or
15 methods by the seller may be referred to the city attorney, the
16 district attorney, or an investigator for the Department of Motor
17 Vehicles, or any combination thereof.

18 After this contract is signed, the seller may not change the
19 financing or payment terms unless you agree in writing to the
20 change. You do not have to agree to any change, and it is an
21 unfair or deceptive practice for the seller to make a unilateral
22 change.

23
24 _____
25 _____ Buyer's Signature"

26
27 (i) (1) The contract shall contain an itemization of any
28 insurance included as part of the amount financed disclosed
29 pursuant to paragraph (3) of subdivision (a) and of any insurance
30 included as part of the finance charge. The itemization shall
31 identify the type of insurance coverage and the premium charged
32 therefor, and, if the insurance expires before the date of the last
33 scheduled installment included in the repayment schedule, the
34 term of the insurance shall be stated.

35 (2) If any charge for insurance, other than for credit life or
36 disability, is included in the contract balance and disbursement of
37 any part thereof is to be made more than one year after the date
38 of the conditional sale contract, any finance charge on the
39 amount to be disbursed after one year shall be computed from the

1 month the disbursement is to be made to the due date of the last
2 installment under the conditional sale contract.

3 (j) (1) Except for contracts in which the finance charge or
4 portion thereof is determined by the simple interest basis and the
5 amount financed disclosed pursuant to paragraph (8) of
6 subdivision (a) is more than two thousand five hundred dollars
7 (\$2,500), the dollar amount of the disclosed finance charge may
8 not exceed the greater of:

9 (A) (i) One and one-half percent on so much of the unpaid
10 balance as does not exceed two hundred twenty-five dollars
11 (\$225), 1 1/6 percent on so much of the unpaid balance in excess
12 of two hundred twenty-five dollars (\$225) as does not exceed
13 nine hundred dollars (\$900) and five-sixths of 1 percent on so
14 much of the unpaid balance in excess of nine hundred dollars
15 (\$900) as does not exceed two thousand five hundred dollars
16 (\$2,500); or

17 (ii) One percent of the entire unpaid balance; multiplied in
18 either case by the number of months (computed on the basis of a
19 full month for any fractional month period in excess of 15 days)
20 elapsing between the date of the contract and the due date of the
21 last installment; or

22 (B) If the finance charge is determined by the precomputed
23 basis, twenty-five dollars (\$25); or

24 (C) If the finance charge or a portion thereof is determined by
25 the simple interest basis:

26 (i) Twenty-five dollars (\$25) if the unpaid balance does not
27 exceed one thousand dollars (\$1,000);

28 (ii) Fifty dollars (\$50) if the unpaid balance exceeds one
29 thousand dollars (\$1,000) but does not exceed two thousand
30 dollars (\$2,000);

31 (iii) Seventy-five dollars (\$75) if the unpaid balance exceeds
32 two thousand dollars (\$2,000);

33 (2) The holder of the contract may not charge, collect, or
34 receive a finance charge which exceeds the disclosed finance
35 charge, except to the extent (A) caused by the holder's receipt of
36 one or more payments under a contract which provides for
37 determination of the finance charge or a portion thereof on the
38 365-day basis at a time or times other than as originally
39 scheduled whether or not the parties enter into an agreement
40 pursuant to Section 2982.3, (B) permitted by paragraph (2), (3),

1 or (4) of subdivision (e) of Section 226.17 of Regulation Z, or
2 (C) permitted by subdivisions (a) and (e) of Section 2982.8.

3 (3) If the finance charge or a portion thereof is determined by
4 the simple-interest basis and the amount of the unpaid balance
5 exceeds five thousand dollars (\$5,000), the holder of the contract
6 may, in lieu of its right to a minimum finance charge under
7 subparagraph (C) of paragraph (1), charge, receive, or collect on
8 the date of the contract an administrative finance charge not to
9 exceed seventy-five dollars (\$75), provided that the sum of the
10 administrative finance charge and the portion of the finance
11 charge determined by the simple-interest basis shall not exceed
12 the maximum total finance charge permitted by subparagraph (A)
13 of paragraph (1). Any administrative finance charge that is
14 charged, received, or collected by a holder shall be deemed a
15 finance charge earned on the date of the contract.

16 (4) If a contract provides for unequal or irregular payments, or
17 payments on other than a monthly basis, the maximum finance
18 charge shall be at the effective rate provided for in paragraph (1),
19 having due regard for the schedule of installments.

20 (k) The contract may provide that for each installment in
21 default for a period of not less than 10 days the buyer shall pay a
22 delinquency charge in an amount not to exceed in the aggregate 5
23 percent of the delinquent installment, which amount may be
24 collected only once on any installment regardless of the period
25 during which it remains in default. Payments timely received by
26 the seller under an extension or deferral agreement may not be
27 subject to a delinquency charge unless the charge is permitted by
28 Section 2982.3. The contract may provide for reasonable
29 collection costs and fees in the event of delinquency.

30 (l) Notwithstanding any provision of a contract to the contrary,
31 the buyer may pay at any time before maturity the entire
32 indebtedness evidenced by the contract without penalty. In the
33 event of prepayment in full, all of the following apply, as
34 applicable:

35 (1) If the finance charge was determined on the precomputed
36 basis, the amount required to prepay the contract shall be the
37 outstanding contract balance as of that date, provided, however,
38 that the buyer shall be entitled to a refund credit in the amount of
39 the unearned portion of the finance charge, except as provided in
40 paragraphs (3) and (4). The amount of the unearned portion of

1 the finance charge shall be at least as great a proportion of the
2 finance charge, including any additional finance charge imposed
3 pursuant to Section 2982.8 or other additional charge imposed
4 because the contract has been extended, deferred, or refinanced,
5 as the sum of the periodic monthly time balances payable more
6 than 15 days after the date of prepayment bears to the sum of all
7 the periodic monthly time balances under the schedule of
8 installments in the contract or, if the contract has been extended,
9 deferred, or refinanced, as so extended, deferred, or refinanced. If
10 the amount of the refund credit is less than one dollar (\$1), no
11 refund credit need be made by the holder. Any refund credit may
12 be made in cash or credited to the outstanding obligations of the
13 buyer under the contract.

14 (2) If the finance charge or a portion thereof was determined
15 on the simple-interest basis, the amount required to prepay the
16 contract shall be the outstanding contract balance as of that date,
17 including any earned finance charges which are unpaid as of that
18 date and, if applicable, the amount provided in paragraph (3), and
19 provided further that in cases where a finance charge is
20 determined on the 365-day basis, the payments theretofore
21 received will be assumed to have been received on their
22 respective due dates regardless of the actual dates on which the
23 payments were received.

24 (3) Where the minimum finance charge provided by
25 subparagraph (B) or subparagraph (C) of paragraph (1) of
26 subdivision (j), if either is applicable, is greater than the earned
27 finance charge as of the date of prepayment, the holder shall be
28 additionally entitled to the difference.

29 (4) The provisions of this subdivision may not impair the right
30 of the seller or the seller's assignee to receive delinquency
31 charges on delinquent installments and reasonable costs and fees
32 as provided in subdivision (k) or extension or deferral agreement
33 charges as provided in Section 2982.3.

34 (5) Notwithstanding any provision of a contract to the
35 contrary, whenever the indebtedness created by any contract is
36 satisfied prior to its maturity through surrender of the motor
37 vehicle, repossession of the motor vehicle, redemption of the
38 motor vehicle after repossession, or any judgment, the
39 outstanding obligation of the buyer shall be determined as
40 provided in paragraph (1) or (2). Notwithstanding, the buyer's

1 outstanding obligation shall be computed by the holder as of the
2 date the holder recovers the value of the motor vehicle through
3 disposition thereof or judgment is entered or, if the holder elects
4 to keep the motor vehicle in satisfaction of the buyer's
5 indebtedness, as of the date the holder takes possession of the
6 motor vehicle.

7 (m) Notwithstanding any other provision of this chapter to the
8 contrary, any information required to be disclosed in a
9 conditional sale contract under this chapter may be disclosed in
10 any manner, method, or terminology required or permitted under
11 Regulation Z, as in effect at the time that disclosure is made,
12 except as permitted by paragraph (2) of subdivision (c) of
13 Section 226.18 of Regulation Z, provided that all of the
14 requirements and limitations set forth in subdivision (a) of this
15 section are satisfied. This chapter does not prohibit the disclosure
16 in that contract of additional information required or permitted
17 under Regulation Z, as in effect at the time that disclosure is
18 made.

19 (n) If the seller imposes a fee for document preparation, the
20 contract shall contain a disclosure that the fee is not a
21 governmental fee.

22 (o) A seller may not impose an application fee for a
23 transaction governed by this chapter.

24 (p) The seller or holder may charge and collect a fee not to
25 exceed fifteen dollars (\$15) for the return by a depository
26 institution of a dishonored check, negotiated order of withdrawal,
27 or share draft issued in connection with the contract, if the
28 contract so provides or if the contract contains a generalized
29 statement that the buyer may be liable for collection costs
30 incurred in connection with the contract.

31 (q) The contract shall disclose on its face, by printing the word
32 "new" or "used" within a box outlined in red, that is not smaller
33 than one-half inch high and one-half inch wide, whether the
34 vehicle is sold as a new vehicle, as defined in Section 430 of the
35 Vehicle Code, or a used vehicle, as defined in Section 665 of the
36 Vehicle Code.

37 (r) The contract shall contain a notice with a heading in at least
38 12-point bold type and the text in at least 10-point bold type;

1 ~~circumscribed by a line, immediately above the contract~~
2 ~~signature line, that reads as follows:~~

3
4 ~~THERE IS A 3-DAY COOLING OFF PERIOD FOR SALES OF USED~~
5 ~~VEHICLES, EXCEPT RECREATIONAL VEHICLES, CONSIGNMENT~~
6 ~~SALES, OR VEHICLES SOLD "AS IS."~~

7 ~~California law provides for a "cooling off" or cancellation period for sales of~~
8 ~~used vehicles, except recreational vehicles, consignment sales, or vehicles~~
9 ~~sold "as is," if the vehicle is returned in substantially the same condition~~
10 ~~within 3 days and has been driven no more than 250 miles.~~

11 ~~THERE IS NO COOLING OFF PERIOD FOR SALES OF NEW~~
12 ~~VEHICLES.~~

13 -

14 ~~California law does not provide for a "cooling off" or other cancellation~~
15 ~~period for sales of NEW vehicles. Therefore, you cannot later cancel a~~
16 ~~contract to purchase a new vehicle simply because you changed your mind,~~
17 ~~decided the vehicle costs too much, or wished you had acquired a different~~
18 ~~vehicle. After you sign below, you may only cancel this contract with the~~
19 ~~agreement of the seller or for legal cause, such as fraud.~~

20 -

21 -

22
23 ~~SEC. 3. Section 2982.2 is added to the Civil Code, to read:~~

24 ~~2982.2. (a) (1) Notwithstanding Section 2982 or any other~~
25 ~~provision of law, the buyer of any used motor vehicle has the~~
26 ~~right to cancel a motor vehicle sale contract, including a~~
27 ~~conditional sale contract as defined in Section 2982, until the~~
28 ~~later of, (A) the close of the seller's place of business on the third~~
29 ~~day after delivery of the vehicle, provided that the vehicle is not~~
30 ~~a consignment sale, the vehicle is not being sold "as is," the~~
31 ~~vehicle is not a recreational vehicle as defined in Section 18215.5~~
32 ~~of the Health and Safety Code, the mileage on the vehicle at the~~
33 ~~time of the return does not exceed the mileage at delivery by~~
34 ~~more than 250 miles, and the vehicle is in substantially the same~~
35 ~~condition as at delivery or, (B) a longer period as specified in the~~
36 ~~sale contract, so long as the contract does not impose any~~
37 ~~conditions that are more restrictive than those set forth in~~
38 ~~paragraph (A).~~

39 ~~(2) In order to cancel a contract under this section, the buyer~~
40 ~~shall give written notice of cancellation to the seller at the~~

~~1 address specified in the contract within the applicable timeframe
2 set forth in subdivision (a) and return the used vehicle to the
3 seller's place of business prior to close of business on the third
4 day after taking delivery of the vehicle. The vehicle shall be
5 returned in substantially the same condition as at delivery,
6 excluding normal wear and tear. A used motor vehicle that is
7 returned with damage sustained as a result of a defect existing at
8 the time of sale shall be deemed to be "in substantially the same
9 condition as at delivery" for the purposes of this section.~~

~~10 (3) Notice of cancellation, if given by mail, is effective when
11 postmarked by the United States Postal Service properly
12 addressed with postage prepaid.~~

~~13 (4) Notice of cancellation given by the buyer need not take
14 any particular form, as long as it is written, and, however
15 expressed, is effective if it indicates the intention of the buyer to
16 return the vehicle and not to be bound by the motor vehicle
17 conditional sale contract.~~

~~18 (5) (A) Upon the return of the vehicle, the seller shall cancel
19 the contract and provide the buyer with a full refund, including
20 that portion of the sales tax attributable to amounts excluded
21 pursuant to Section 6012.3 of the Revenue and Taxation Code,
22 minus the following allowable deductions as deemed necessary
23 by the seller:~~

~~24 (i) A reasonable offset for mileage added to the odometer after
25 delivery, calculated by dividing the purchase price of the motor
26 vehicle by 120,000 miles, and multiplying by the number of
27 miles added to the odometer after delivery.~~

~~28 (ii) If the vehicle was free of mechanical or structural defects
29 at the time of sale, the seller may charge a restocking fee of
30 either 2.5 percent of the purchase price or five hundred dollars
31 (\$500), whichever is less, for vehicles with a purchase price up to
32 and including sixty thousand dollars (\$60,000), or 2.5 percent of
33 the purchase price for vehicles with a purchase price exceeding
34 (\$60,000), whichever is applicable.~~

~~35 (iii) Reasonable reimbursement for any nonsubstantial damage
36 occurring during the buyer's possession of the vehicle, such as
37 stains, scratches, or missing parts or accessories.~~

~~38 (B) For purposes of subparagraph (A), a "full refund" shall
39 include the motor vehicle the buyer left with the seller as a
40 downpayment or trade-in. If the seller has sold or otherwise~~

1 transferred title to the motor vehicle that was left as a
2 downpayment or trade-in, the “full refund” shall include the fair
3 market value of the motor vehicle left as a downpayment or
4 trade-in, or its value as stated in the contract or purchase order,
5 whichever is greater.

6 (b) A motor vehicle sale contract, including a conditional sale
7 contract, for the sale of a used motor vehicle, except a
8 recreational vehicle as defined in Section 18215.5 of the Health
9 and Safety Code, shall contain in immediate proximity to the
10 space reserved for the buyer’s signature, a conspicuous
11 statement, written in the same language as that principally used
12 in the oral sales presentation, in a size equal to at least 10-point
13 boldface type, reading as follows:

14 “If this purchase is for a used vehicle that is not being sold “as
15 is,” you, the buyer, may return the vehicle and cancel this
16 transaction at any time prior to the close of the seller’s place of
17 business on the third day after taking delivery, if you do not drive
18 it more than 250 miles, you return the vehicle in substantially the
19 same condition as at delivery, and you provide written notice of
20 cancellation to the seller at _____ (seller’s address). Notice of
21 cancellation, if given by mail, is effective when deposited in the
22 mail properly addressed with postage prepaid and postmarked by
23 the United States Postal Service. The notice of cancellation need
24 not take any particular form, as long as it is written and it
25 indicates your intention to cancel this transaction. You may also
26 be required to reimburse the seller a restocking fee, mileage fee,
27 and for any nonsubstantial damage, such as stains, scratches, or
28 missing accessories.”

29 (c) If the seller of a motor vehicle arranges a loan, arranges
30 financing, makes a credit sale, sells or otherwise transfers a
31 conditional sale contract, or makes a similar transaction for the
32 buyer, the seller shall clearly and conspicuously disclose to the
33 buyer each buyer’s three-digit credit score, as defined in Section
34 1785.15.1, obtained from a credit reporting agency, on a separate
35 sheet of paper, at least 8 1/2 inches wide and 11 inches long, with
36 the name and address of the seller at the top, written in the same
37 language as that used in the contract, in at least 10-point boldface
38 type, reading as follows:

1 “Notice to buyer of vehicle with vehicle identification number
2 ____: Your credit score obtained by the dealer to evaluate your
3 credit history for this purchase, as calculated by ____, is ____.”

4 (d) If the seller of a motor vehicle arranges a loan, arranges
5 financing, makes a credit sale, sells or otherwise transfers a
6 conditional sale contract, or makes a similar transaction and the
7 purchase or lease includes the sale of service contracts or
8 maintenance plans, insurance products, theft deterrent or
9 protection products, “GAP” protection products, or exterior or
10 interior surface protection, the seller shall provide the buyer a
11 clear and conspicuous written disclosure regarding each item, in
12 the same language as that used in the contract, in at least 12-point
13 boldface type, on a page at least 8 1/2 inches wide by 11 inches
14 long, that includes the name and address of the seller at the top,
15 and the date of the contract and reading as follows:

16 “Notice to the buyer of vehicle with vehicle identification
17 number ____: (1) You have agreed to purchase the following
18 additional item: _____. (2) The price of this item if you pay cash
19 is: \$ _____. (3) If included in the financing of the vehicle, your
20 actual monthly cost to finance this item is: \$ ____/month, and
21 your total cost for this item over the life of the credit agreement
22 is: \$ ____.”

23 (e) For the purposes of this section, “seller” means a person
24 primarily engaged in the business of selling or leasing motor
25 vehicles under any motor vehicle sale contract, including a
26 conditional sale contract. “Seller” does not include a private
27 individual who is not required to be licensed to sell vehicles in
28 California.

29 SEC. 4. Section 2982.10 is added to the Civil Code, to read:

30 2982.10. (a) In consideration of an assignment of a
31 conditional sale contract, the seller may not receive or accept
32 from the assignee any payment or credit based upon any amount
33 collected or received, or to be collected or received, under the
34 contract as a finance charge except to the extent the payment or
35 credit does not exceed the amount that would be calculated in
36 accordance with Regulation Z, whether or not Regulation Z
37 applies to the contract, as the contract’s finance charge using, for
38 purposes of the calculation, an annual percentage rate equal to 2
39 1/2 percent for a contract having an original scheduled term of 60

1 ~~monthly payments or less or 2 percent for a contract having an~~
2 ~~original scheduled term of more than 60 monthly payments.~~

3 ~~(b) This section does not apply in any of the following~~
4 ~~circumstances:~~

5 ~~(1) Assignment with full recourse or under other terms~~
6 ~~requiring the seller to bear the entire risk of financial~~
7 ~~performance of the buyer.~~

8 ~~(2) Assignment more than six months following the date of the~~
9 ~~conditional sale contract.~~

10 ~~(3) Isolated instances resulting from bona fide errors that~~
11 ~~would otherwise constitute a violation of subdivision (a) if the~~
12 ~~seller maintains reasonable procedures to guard against those~~
13 ~~errors and promptly upon notice of the error remits to the buyer~~
14 ~~any consideration received in excess of that permitted by~~
15 ~~subdivision (a).~~

16 ~~(e) For purposes of this section, “seller” means a person~~
17 ~~primarily engaged in the business of selling or leasing motor~~
18 ~~vehicles under a conditional sale contract to a consumer.~~

19 *SEC. 2. Section 2981 of the Civil Code is amended to read:*

20 2981. As used in this chapter, unless the context otherwise
21 requires:

22 (a) “Conditional sale contract” means:

23 (1) ~~Any~~ A contract for the sale of a motor vehicle between a
24 buyer and a seller, with or without accessories, under which
25 possession is delivered to the buyer and either ~~(A)~~ of the
26 *following:*

27 *(A) The title vests in the buyer thereafter only upon the*
28 *payment of all or a part of the price, or the performance of any*
29 *other condition,* ~~or (B) a.~~

30 *(B) A lien on the property is to vest in the seller as security for*
31 *the payment of part or all of the price, or for the performance of*
32 *any other condition,* ~~or.~~

33 (2) ~~Any~~ A contract for the bailment of a motor vehicle
34 between a buyer and a seller, with or without accessories, by
35 which the bailee or lessee agrees to pay as compensation for use
36 a sum substantially equivalent to or in excess of the aggregate
37 value of the vehicle and its accessories, if any, at the time the
38 contract is executed, and by which it is agreed that the bailee or
39 lessee will become, or for no other or for a nominal consideration

1 has the option of becoming, the owner of the vehicle upon full
2 compliance with the terms of the contract.

3 (b) “Seller” means a person engaged in the business of selling
4 or leasing motor vehicles under conditional sale contracts.

5 (c) “Buyer” means the person who buys or hires a motor
6 vehicle under a conditional sale contract.

7 (d) “Person” includes an individual, company, firm,
8 association, partnership, trust, corporation, limited liability
9 company, or other legal entity.

10 (e) “Cash price” means the amount for which the seller would
11 sell and transfer to the buyer unqualified title to the motor vehicle
12 described in the conditional sale contract, if the property were
13 sold for cash at the seller’s place of business on the date the
14 contract is executed, and shall include taxes to the extent
15 imposed on the cash sale and the cash price of accessories or
16 services related to the sale ~~such as~~, *including, but not limited to*,
17 delivery, installation, alterations, modifications, improvements,
18 document preparation fees, a service contract, and payment of a
19 prior credit or lease balance remaining on property being traded
20 in.

21 (f) “Downpayment” means ~~any~~ a payment which the buyer
22 pays or agrees to pay to the seller in cash or property value or
23 money’s worth at or prior to delivery by the seller to the buyer of
24 the motor vehicle described in the conditional sale contract. The
25 term shall also include the amount of any portion of the
26 downpayment the payment of which is deferred until not later
27 than the due date of the second otherwise scheduled payment, if
28 the amount of the deferred downpayment is not subject to a
29 finance charge. The term does not include any administrative
30 finance charge charged, received or collected by the seller as
31 provided in this chapter.

32 (g) “Amount financed” means the amount required to be
33 disclosed pursuant to paragraph (8) of subdivision (a) of Section
34 2982.

35 (h) “Unpaid balance” means the difference between
36 *subdivision*(e) and *subdivision* (f), plus all insurance premiums
37 (except for credit life or disability insurance when the amount
38 thereof is included in the finance charge), which are included in
39 the contract balance, and the total amount paid or to be paid, *as*
40 *follows*:

1 (1) ~~to any~~To a public officer in connection with the
2 transaction, ~~and~~.

3 (2) ~~for~~ For license, certificate of title, and registration fees
4 imposed by law, and the amount of the state fee for issuance of a
5 certificate of compliance or certificate of waiver pursuant to
6 Section 9889.56 of the Business and Professions Code.

7 (i) "Finance charge" has the meaning set forth for that term in
8 Section 226.4 of Regulation Z. The term shall not include
9 delinquency charges or collection costs and fees as provided by
10 subdivision (k) of Section 2982, extension or deferral agreement
11 charges as provided by Section 2982.3, or amounts for insurance,
12 repairs to or preservation of the motor vehicle, or preservation of
13 the security interest therein advanced by the holder under the
14 terms of the contract.

15 (j) "Total of payments" means the amount required to be
16 disclosed pursuant to subdivision (h) of Section 226.18 of
17 Regulation Z. The term includes any portion of the downpayment
18 ~~which that~~ is deferred until not later than the second otherwise
19 scheduled payment and which is not subject to a finance charge.
20 The term shall not include amounts ~~for which that~~ the buyer may
21 later become obligated under the terms of the contract in
22 connection with insurance, repairs to or preservation of the motor
23 vehicle, preservation of the security interest therein, or otherwise.

24 (k) "Motor vehicle" means ~~any~~ a vehicle required to be
25 registered under the Vehicle Code ~~which that~~ is bought for use
26 primarily for personal or family purposes, and does not mean any
27 vehicle ~~which that~~ is bought for use primarily for business or
28 commercial purposes or a mobilehome, as defined in Section
29 18008 of the Health and Safety Code which is sold on or after
30 July 1, 1981. "Motor vehicle" does not include any trailer ~~which~~
31 ~~that~~ is sold in conjunction with a vessel and ~~which that~~ comes
32 within the definition of "goods" under Section 1802.1.

33 (l) "Purchase order" means a sales order, car reservation,
34 statement of transaction or any other ~~such~~ instrument used in the
35 conditional sale of a motor vehicle pending execution of a
36 conditional sale contract. The purchase order shall conform to the
37 disclosure requirements of subdivision (a) of Section 2982 and
38 Section ~~2984.1~~ 2984.1. and the provisions of subdivision (m) of
39 Section 2982 shall be ~~applicable thereto~~ apply.

(m) “Regulation Z” means ~~any~~ a rule, regulation or interpretation promulgated by the Board of Governors of the Federal Reserve System (“Board”) under the federal Truth in Lending Act, as amended (15 U.S.C. 1601, et seq.), and ~~any~~ an interpretation or approval issued by an official or employee of the Federal Reserve System duly authorized by the board under the Truth in Lending Act, as amended, to issue ~~such~~ the interpretations or approvals.

(n) “Simple-interest basis” means the determination of a finance charge, other than an administrative finance charge, by applying a constant rate to the unpaid balance as it changes from time to time either:

(1) Calculated on the basis of a 365-day year and actual days elapsed (although the seller may, but need not, adjust its calculations to account for leap years); reference in this chapter to the “365-day basis” shall mean this method of determining the finance charge, or

(2) For contracts entered into prior to January 1, 1988, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and on the assumption that all payments will be received by the seller on their respective due dates; reference in this chapter to the “360-day basis” shall mean this method of determining the finance charge.

(o) “Precomputed basis” means the determination of a finance charge by multiplying the original unpaid balance of the contract by a rate and multiplying that product by the number of payment periods elapsing between the date of the contract and the date of the last scheduled payment.

(p) “Service contract” means a contract in writing to perform, over a fixed period of time or for a specified duration, services relating to the maintenance or repair, or both, of the motor vehicle described in the conditional sale contract.

(q) “Surface protection product” means the following products installed by the seller after the motor vehicle is sold:

(1) Undercoating.

(2) Rustproofing.

(3) Chemical or film paint sealant or protectant.

(4) Chemical sealant or stain inhibitor for carpet and fabric.

(r) “Theft deterrent device” means the following devices installed by the seller after the motor vehicle is sold:

- (1) *A vehicle alarm system.*
- (2) *A window etch product.*
- (3) *A body part marking product.*
- (4) *A steering lock.*
- (5) *A pedal or ignition lock.*
- (6) *A fuel or ignition kill switch.*

SEC. 3. *Section 2982 of the Civil Code is amended to read:*

2982. ~~Every~~ *A conditional sale contract subject to this chapter shall contain the disclosures required by Regulation Z, whether or not Regulation Z applies to the transaction. In addition, to the extent applicable, the contract shall contain the other disclosures and notices required by, and shall satisfy the requirements and limitations of, this section. The disclosures required by subdivision (a) may be itemized or subtotaled to a greater extent than as required by that subdivision and shall be made together and in the sequence set forth in that subdivision. All other disclosures and notices may appear in the contract in any location or sequence and may be combined or interspersed with other provisions of the contract.*

(a) The contract shall contain the following disclosures, as applicable, which shall be labeled “itemization of the amount ~~financed~~”: *financed.*”

(1) (A) The cash price, exclusive of document preparation fees, *business partnership automation fees*, taxes imposed on the sale, pollution control certification fees, prior credit or lease balance on property being traded in, ~~and~~ the amount charged for a service contract *the amount charged for a theft deterrent system, the amount charged for a surface protection product, the amount charged for an optional debt cancellation agreement, and the amount charged for a contract cancellation option agreement.*

(B) The fee to be retained by the seller for document preparation.

(C) The fee charged by the seller for certifying that the motor vehicle complies with applicable pollution control requirements.

(D) *A charge for a theft deterrent device.*

(E) *A charge for a surface protection product.*

(F) Taxes imposed on the sale.

~~(E)~~

1 (G) The amount of any optional business partnership
2 automation fee to register or transfer the vehicle, which shall be
3 labeled “Optional DMV Electronic Filing Fee.”

4 ~~(F)–~~

5 (H) The amount charged for a service contract.

6 ~~(G)–~~

7 (I) The prior credit or lease balance remaining on property
8 being traded in, as required by paragraph (6). The disclosure
9 required by this subparagraph shall be labeled “prior credit or
10 lease balance (see downpayment and trade-in calculation).”

11 ~~(H)–~~

12 (J) Any charge for an optional debt cancellation agreement.

13 ~~(I)–~~

14 (K) *Any charge for a used vehicle contract cancellation option*
15 *agreement.* ~~The total cash price, which is the sum of~~
16 ~~subparagraphs (A) to (H), inclusive.~~

17 (L) The total cash price, which is the sum of subparagraphs
18 (A) to ~~(H)~~(K), inclusive.

19 (2) Amounts paid to public officials for the following:

20 (A) Vehicle license fees.

21 (B) Registration, transfer, and titling fees.

22 (C) California tire fees imposed pursuant to Section 42885 of
23 the Public Resources Code.

24 (3) The aggregate amount of premiums agreed, upon
25 execution of the contract, to be paid for policies of insurance
26 included in the contract, excluding the amount of any insurance
27 premium included in the finance charge.

28 (4) The amount of the state fee for issuance of a certificate of
29 compliance, noncompliance, exemption, or waiver pursuant to
30 any applicable pollution control statute.

31 (5) A subtotal representing the sum of the foregoing items.

32 (6) The amount of the buyer’s downpayment itemized to show
33 the following:

34 (A) The agreed value of the property being traded in.

35 (B) The prior credit or lease balance, if any, owing on the
36 property being traded in.

37 (C) The net agreed value of the property being traded in,
38 which is the difference between the amounts disclosed in
39 subparagraphs (A) and (B). If the prior credit or lease balance of

1 the property being traded in exceeds the agreed value of the
2 property, a negative number shall be stated.

3 (D) The amount of any portion of the downpayment to be
4 deferred until not later than the due date of the second regularly
5 scheduled installment under the contract and which is not subject
6 to a finance charge.

7 (E) The amount of any manufacturer's rebate applied or to be
8 applied to the downpayment.

9 (F) The remaining amount paid or to be paid by the buyer as a
10 downpayment.

11 (G) The total downpayment. If the sum of subparagraphs (C)
12 to ~~(F)~~ (H), inclusive, is zero or more, that sum shall be stated as
13 the total downpayment and no amount shall be stated as the prior
14 credit or lease balance under subparagraph ~~(G)~~ (I) of paragraph
15 (1). If the sum of subparagraphs (C) to ~~(F)~~ (H), inclusive, is less
16 than zero, then that sum, expressed as a positive number, shall be
17 stated as the prior credit or lease balance under subparagraph
18 ~~(G)~~(I) of paragraph (1), and zero shall be stated as the total
19 downpayment. The disclosure required by this subparagraph
20 shall be labeled "total downpayment" and shall contain a
21 descriptor indicating that if the total downpayment is a negative
22 number, a zero shall be disclosed as the total downpayment and a
23 reference made that the remainder shall be included in the
24 disclosure required pursuant to subparagraph ~~(G)~~(I) of paragraph
25 (1).

26 (7) The amount of any administrative finance charge, labeled
27 "prepaid finance charge."

28 (8) The difference between item (5) and the sum of items (6)
29 and (7), labeled "amount financed."

30 (b) No particular terminology is required to disclose the items
31 set forth in subdivision (a) except as expressly provided in that
32 subdivision.

33 (c) If payment of all or a portion of the downpayment is to be
34 deferred, the deferred payment shall be reflected in the payment
35 schedule disclosed pursuant to Regulation Z.

36 (d) If the downpayment includes property being traded in, the
37 contract shall contain a brief description of that property.

38 (e) The contract shall contain the names and addresses of all
39 persons to whom the notice required under Section 2983.2 and
40 permitted under Sections 2983.5 and 2984 is to be sent.

(f) (1) If the contract includes a finance charge determined on the precomputed basis, the contract shall identify the method of computing the unearned portion of the finance charge in the event of prepayment in full of the buyer's obligation and contain a statement of the amount or method of computation of any charge that may be deducted from the amount of any unearned finance charge in computing the amount that will be credited to the obligation or refunded to the buyer. The method of computing the unearned portion of the finance charge shall be sufficiently identified with a reference to the actuarial method if the computation will be under that method. The method of computing the unearned portion of the finance charge shall be sufficiently identified with a reference to the Rule of 78's, the sum of the digits, or the sum of the periodic time balances method in all other cases, and those references shall be deemed to be equivalent for disclosure purposes.

(2) If the contract includes a finance charge which is determined on the simple-interest basis but provides for a minimum finance charge in the event of prepayment in full, the contract shall contain a statement of that fact and the amount of the minimum finance charge or its method of calculation.

(g) (1) If the contract includes a finance charge which is determined on the precomputed basis and provides that the unearned portion of the finance charge to be refunded upon full prepayment of the contract is to be determined by a method other than actuarial, the contract shall contain a notice, in at least 10-point boldface type if the contract is printed, reading as follows: "Notice to buyer: (1) Do not sign this agreement before you read it or if it contains any blank spaces to be filled in. (2) You are entitled to a completely filled-in copy of this agreement. (3) You can prepay the full amount due under this agreement at any time and obtain a partial refund of the finance charge if it is \$1 or more. Because of the way the amount of this refund will be figured, the time when you prepay could increase the ultimate cost of credit under this agreement. (4) If you default in the performance of your obligations under this agreement, the vehicle may be repossessed and you may be subject to suit and liability for the unpaid indebtedness evidenced by this agreement."

(2) If the contract includes a finance charge which is determined on the precomputed basis and provides for the actuarial method for computing the unearned portion of the finance charge upon prepayment in full, the contract shall contain a notice, in at least 10-point boldface type if the contract is printed, reading as follows: "Notice to buyer: (1) Do not sign this agreement before you read it or if it contains any blank spaces to be filled in. (2) You are entitled to a completely filled-in copy of this agreement. (3) You can prepay the full amount due under this agreement at any time and obtain a partial refund of the finance charge if it is \$1 or more. (4) If you default in the performance of your obligations under this agreement, the vehicle may be repossessed and you may be subject to suit and liability for the unpaid indebtedness evidenced by this agreement."

(3) If the contract includes a finance charge which is determined on the simple-interest basis, the contract shall contain a notice, in at least 10-point boldface type if the contract is printed, reading as follows: "Notice to buyer: (1) Do not sign this agreement before you read it or if it contains any blank spaces to be filled in. (2) You are entitled to a completely filled-in copy of this agreement. (3) You can prepay the full amount due under this agreement at any time. (4) If you default in the performance of your obligations under this agreement, the vehicle may be repossessed and you may be subject to suit and liability for the unpaid indebtedness evidenced by this agreement."

(h) The contract shall contain a notice in at least 8-point boldface type, acknowledged by the buyer, that reads as follows: "If you have a complaint concerning this sale, you should try to resolve it with the seller."

Complaints concerning unfair or deceptive practices or methods by the seller may be referred to the city attorney, the district attorney, or an investigator for the Department of Motor Vehicles, or any combination thereof.

After this contract is signed, the seller may not change the financing or payment terms unless you agree in writing to the change. You do not have to agree to any change, and it is an unfair or deceptive practice for the seller to make a unilateral change.

1 _____
2 Buyer's Signature"
3

4 (i) (1) The contract shall contain an itemization of any
5 insurance included as part of the amount financed disclosed
6 pursuant to paragraph (3) of subdivision (a) and of any insurance
7 included as part of the finance charge. The itemization shall
8 identify the type of insurance coverage and the premium charged
9 therefor, and, if the insurance expires before the date of the last
10 scheduled installment included in the repayment schedule, the
11 term of the insurance shall be stated.

12 (2) If any charge for insurance, other than for credit life or
13 disability, is included in the contract balance and disbursement of
14 any part thereof is to be made more than one year after the date
15 of the conditional sale contract, any finance charge on the
16 amount to be disbursed after one year shall be computed from the
17 month the disbursement is to be made to the due date of the last
18 installment under the conditional sale contract.

19 (j) (1) Except for contracts in which the finance charge or
20 portion thereof is determined by the simple-interest basis and the
21 amount financed disclosed pursuant to paragraph (8) of
22 subdivision (a) is more than two thousand five hundred dollars
23 (\$2,500), the dollar amount of the disclosed finance charge may
24 not exceed the greater of:

25 (A) (i) One and one-half percent on so much of the unpaid
26 balance as does not exceed two hundred twenty-five dollars
27 (\$225), 1 1/2 percent on so much of the unpaid balance in excess
28 of two hundred twenty-five dollars (\$225) as does not exceed
29 nine hundred dollars (\$900) and five-sixths of 1 percent on so
30 much of the unpaid balance in excess of nine hundred dollars
31 (\$900) as does not exceed two thousand five hundred dollars
32 (\$2,500); or

33 (ii) One percent of the entire unpaid balance; multiplied in
34 either case by the number of months (computed on the basis of a
35 full month for any fractional month period in excess of 15 days)
36 elapsing between the date of the contract and the due date of the
37 last installment; or

38 (B) If the finance charge is determined by the precomputed
39 basis, twenty-five dollars (\$25); or

1 (C) If the finance charge or a portion thereof is determined by
2 the simple-interest basis:

3 (i) Twenty-five dollars (\$25) if the unpaid balance does not
4 exceed one thousand dollars (\$1,000).

5 (ii) Fifty dollars (\$50) if the unpaid balance exceeds one
6 thousand dollars (\$1,000) but does not exceed two thousand
7 dollars (\$2,000).

8 (iii) Seventy-five dollars (\$75) if the unpaid balance exceeds
9 two thousand dollars (\$2,000).

10 (2) The holder of the contract may not charge, collect, or
11 receive a finance charge which exceeds the disclosed finance
12 charge, except to the extent (A) caused by the holder's receipt of
13 one or more payments under a contract which provides for
14 determination of the finance charge or a portion thereof on the
15 365-day basis at a time or times other than as originally
16 scheduled whether or not the parties enter into an agreement
17 pursuant to Section 2982.3, (B) permitted by paragraph (2), (3),
18 or (4) of subdivision (c) of Section 226.17 of Regulation Z, or
19 (C) permitted by subdivisions (a) and (c) of Section 2982.8.

20 (3) If the finance charge or a portion thereof is determined by
21 the simple-interest basis and the amount of the unpaid balance
22 exceeds five thousand dollars (\$5,000), the holder of the contract
23 may, in lieu of its right to a minimum finance charge under
24 subparagraph (C) of paragraph (1), charge, receive, or collect on
25 the date of the contract an administrative finance charge not to
26 exceed seventy-five dollars (\$75), provided that the sum of the
27 administrative finance charge and the portion of the finance
28 charge determined by the simple-interest basis shall not exceed
29 the maximum total finance charge permitted by subparagraph (A)
30 of paragraph (1). Any administrative finance charge that is
31 charged, received, or collected by a holder shall be deemed a
32 finance charge earned on the date of the contract.

33 (4) If a contract provides for unequal or irregular payments, or
34 payments on other than a monthly basis, the maximum finance
35 charge shall be at the effective rate provided for in paragraph (1),
36 having due regard for the schedule of installments.

37 (k) The contract may provide that for each installment in
38 default for a period of not less than 10 days the buyer shall pay a
39 delinquency charge in an amount not to exceed in the aggregate 5
40 percent of the delinquent installment, which amount may be

1 collected only once on any installment regardless of the period
2 during which it remains in default. Payments timely received by
3 the seller under an extension or deferral agreement may not be
4 subject to a delinquency charge unless the charge is permitted by
5 Section 2982.3. The contract may provide for reasonable
6 collection costs and fees in the event of delinquency.

7 (I) Notwithstanding any provision of a contract to the contrary,
8 the buyer may pay at any time before maturity the entire
9 indebtedness evidenced by the contract without penalty. In the
10 event of prepayment in full:

11 (1) If the finance charge was determined on the precomputed
12 basis, the amount required to prepay the contract shall be the
13 outstanding contract balance as of that date, provided, however,
14 that the buyer shall be entitled to a refund credit in the amount of
15 the unearned portion of the finance charge, except as provided in
16 paragraphs (3) and (4). The amount of the unearned portion of
17 the finance charge shall be at least as great a proportion of the
18 finance charge, including any additional finance charge imposed
19 pursuant to Section 2982.8 or other additional charge imposed
20 because the contract has been extended, deferred, or refinanced,
21 as the sum of the periodic monthly time balances payable more
22 than 15 days after the date of prepayment bears to the sum of all
23 the periodic monthly time balances under the schedule of
24 installments in the contract or, if the contract has been extended,
25 deferred, or refinanced, as so extended, deferred, or refinanced. If
26 the amount of the refund credit is less than one dollar (\$1), no
27 refund credit need be made by the holder. Any refund credit may
28 be made in cash or credited to the outstanding obligations of the
29 buyer under the contract.

30 (2) If the finance charge or a portion thereof was determined
31 on the simple-interest basis, the amount required to prepay the
32 contract shall be the outstanding contract balance as of that date,
33 including any earned finance charges which are unpaid as of that
34 date and, if applicable, the amount provided in paragraph (3), and
35 provided further that in cases where a finance charge is
36 determined on the 360-day basis, the payments theretofore
37 received will be assumed to have been received on their
38 respective due dates regardless of the actual dates on which the
39 payments were received.

1 (3) Where the minimum finance charge provided by
2 subparagraph (B) or subparagraph (C) of paragraph (1) of
3 subdivision (j), if either is applicable, is greater than the earned
4 finance charge as of the date of prepayment, the holder shall be
5 additionally entitled to the difference.

6 (4) The provisions of this subdivision may not impair the right
7 of the seller or the seller's assignee to receive delinquency
8 charges on delinquent installments and reasonable costs and fees
9 as provided in subdivision (k) or extension or deferral agreement
10 charges as provided in Section 2982.3.

11 (5) Notwithstanding any provision of a contract to the
12 contrary, whenever the indebtedness created by any contract is
13 satisfied prior to its maturity through surrender of the motor
14 vehicle, repossession of the motor vehicle, redemption of the
15 motor vehicle after repossession, or any judgment, the
16 outstanding obligation of the buyer shall be determined as
17 provided in paragraph (1) or (2). Notwithstanding, the buyer's
18 outstanding obligation shall be computed by the holder as of the
19 date the holder recovers the value of the motor vehicle through
20 disposition thereof or judgment is entered or, if the holder elects
21 to keep the motor vehicle in satisfaction of the buyer's
22 indebtedness, as of the date the holder takes possession of the
23 motor vehicle.

24 (m) Notwithstanding any other provision of this chapter to the
25 contrary, any information required to be disclosed in a
26 conditional sale contract under this chapter may be disclosed in
27 any manner, method, or terminology required or permitted under
28 Regulation Z, as in effect at the time that disclosure is made,
29 except that permitted by paragraph (2) of subdivision (c) of
30 Section 226.18 of Regulation Z, provided that all of the
31 requirements and limitations set forth in subdivision (a) of this
32 section are satisfied. This chapter does not prohibit the disclosure
33 in that contract of additional information required or permitted
34 under Regulation Z, as in effect at the time that disclosure is
35 made.

36 (n) If the seller imposes a fee for document preparation, the
37 contract shall contain a disclosure that the fee is not a
38 governmental fee.

39 (o) A seller may not impose an application fee for a
40 transaction governed by this chapter.

(p) The seller or holder may charge and collect a fee not to exceed fifteen dollars (\$15) for the return by a depository institution of a dishonored check, negotiated order of withdrawal, or share draft issued in connection with the contract, if the contract so provides or if the contract contains a generalized statement that the buyer may be liable for collection costs incurred in connection with the contract.

(q) The contract shall disclose on its face, by printing the word “new” or “used” within a box outlined in red, that is not smaller than one-half inch high and one-half inch wide, whether the vehicle is sold as a new vehicle, as defined in Section 430 of the Vehicle Code, or a used vehicle, as defined in Section 665 of the Vehicle Code.

(r) The contract shall contain a notice with a heading in at least 12-point bold type and the text in at least 10-point ~~bold~~ *boldface* type, circumscribed by a line, immediately above the contract signature line, that reads as follows:

THERE IS NO COOLING OFF PERIOD *UNLESS YOU
OBTAIN A CONTRACT CANCELLATION OPTION*

California law does not provide for a “cooling off” or other cancellation period for vehicle sales. Therefore, you cannot later cancel this contract simply because you change your mind, decide the vehicle costs too much, or wish you had acquired a different vehicle. After you sign below, you may only cancel this contract with the agreement of the seller or for legal cause, such as fraud.

However, California law does require a seller to offer a 3-day contract cancellation option on used vehicles with a purchase price of less than \$40,000.

SEC. 4. Section 2982.2 is added to the Civil Code, to read:

2982.2. Prior to the execution of a conditional sale contract, the seller shall provide to a buyer, and obtain the buyer’s signature on, a written disclosure that sets forth the following information:

1 (a) (1) A description and the price of each item sold if the
2 contract includes a charge for the item.

3 (2) Paragraph (1) applies to each item in the following
4 categories:

5 (A) A service contract.

6 (B) An insurance product.

7 (C) A debt cancellation agreement.

8 (D) A theft deterrent device.

9 (E) A surface protection product.

10 (b) The sum of all of the charges disclosed under subdivision
11 (a), labeled “total.”

12 (c) The amount that would be calculated under the contract as
13 the regular installment payment if charges for the items disclosed
14 pursuant to subdivision (a) are not included in the contract. The
15 amount disclosed pursuant to this subdivision shall be labeled
16 “Installment Payment EXCLUDING Listed Items.”

17 (d) The amount that would be calculated under the contract as
18 the regular installment payment if charges for the items disclosed
19 under subdivision (a) are included in the contract. The amount
20 disclosed pursuant to this subdivision shall be labeled
21 “Installment Payment INCLUDING Listed Items.”

22 (e) The disclosures required under this section shall be in at
23 least 10-point boldface type and shall be contained in a
24 document that is separate from the conditional sale contract and
25 a purchase order.

26 SEC. 5 Section 2982.10 is added to the Civil Code, to read:

27 2982.10. (a) In consideration of the assignment of a
28 conditional sale contract, the seller shall not receive or accept
29 from the assignee any payment or credit based upon any amount
30 collected or received, or to be collected or received, under the
31 contract as a finance charge except to the extent the payment or
32 credit does not exceed the amount that would be calculated in
33 accordance with Regulation Z, whether or not Regulation Z
34 applies to the contract, as the contract’s finance charge using,
35 for the purposes of the calculation, an annual percentage rate
36 equal to 2.5 percent for a contract having an original scheduled
37 term of 60 monthly payments or less or 2 percent for a contract
38 having an original scheduled term of more than 60 monthly
39 payments.

40 (b) This section does not apply in the following circumstances:

1 (1) Assignment with full recourse or under other terms
2 requiring the seller to bear the entire risk of financial
3 performance of the buyer.

4 (2) Assignment more than six months following the date of the
5 conditional sale contract.

6 (3) Isolated instances resulting from bona fide errors that
7 would otherwise constitute a violation of subdivision (a) if the
8 seller maintains reasonable procedures to guard against any
9 errors and promptly, upon notice of the error, remits to the
10 assignee any consideration received in excess of that permitted
11 by subdivision (a).

12 ~~SEC. 5.~~

13 SEC. 6. Section 6012.3 is added to the Revenue and Taxation
14 Code, to read:

15 6012.3. For purposes of this part, “gross receipts” and “sales
16 price” do not include that portion of the sales price returned to
17 the purchaser of a used motor vehicle pursuant to Section 2982.2
18 of the Civil or the purchase price for the purchase of a contract
19 cancellation option pursuant to Section 11713.21 of the Vehicle
20 Code.

21 ~~SEC. 6. Section 11709.2 of the Vehicle Code is amended to~~
22 ~~read:~~

23 ~~11709.2. Every dealer shall conspicuously display a notice,~~
24 ~~not less than 8 inches high and 10 inches wide, in each sales~~
25 ~~office and sales cubicle of a dealer's established place of business~~
26 ~~where written terms of specific sale or lease transactions are~~
27 ~~discussed with prospective purchasers or lessees, and in each~~
28 ~~room of a dealer's established place of business where sale and~~
29 ~~lease contracts are regularly executed, which states the following:~~
30 ~~-~~

31 ~~“THERE IS A 3-DAY COOLING OFF PERIOD FOR SALES~~
32 ~~OF USED VEHICLES, EXCEPT RECREATIONAL~~
33 ~~VEHICLES, CONSIGNMENT SALES, OR VEHICLES SOLD~~
34 ~~“AS IS”~~

35 ~~California law provides for a “cooling off” or cancellation~~
36 ~~period for sales of used vehicles, except recreational vehicles,~~
37 ~~consignment sales, or vehicles sold “as is,” if the vehicle is~~
38 ~~returned in substantially the same condition within 3 days and~~
39 ~~has been driven no more than 250 miles.~~

1 ~~“THERE IS NO COOLING-OFF PERIOD ON SALES OF~~
2 ~~NEW VEHICLES”~~

3 ~~California law does not provide for a “cooling-off” or other~~
4 ~~cancellation period for sales of new vehicles. Therefore, you~~
5 ~~cannot later cancel such a contract simply because you changed~~
6 ~~your mind, decided the vehicle costs too much, or wished you~~
7 ~~had acquired a different vehicle. After you sign a motor vehicle~~
8 ~~purchase or lease contract, it may only be canceled with the~~
9 ~~agreement of the seller or lessor or for legal cause, such as~~
10 ~~fraud.”~~

11 ~~SEC. 7. Section 11713.1 of the Vehicle Code is amended to~~
12 ~~read:~~

13 ~~11713.1. It is a violation of this code for the holder of any~~
14 ~~dealer’s license issued under this article to do any of the~~
15 ~~following:~~

16 ~~(a) Advertise any specific vehicle for sale without identifying~~
17 ~~the vehicle by its model, model-year, and either its license~~
18 ~~number or that portion of the vehicle identification number that~~
19 ~~distinguishes the vehicle from all other vehicles of the same~~
20 ~~make, model, and model-year. Model-year is not required to be~~
21 ~~advertised for current model-year vehicles. Year models are no~~
22 ~~longer current when ensuing year models are available for~~
23 ~~purchase at retail in California. Any advertisement that offers for~~
24 ~~sale a class of new vehicles in a dealer’s inventory, consisting of~~
25 ~~five or more vehicles, that are all of the same make, model, and~~
26 ~~model-year is not required to include in the advertisement the~~
27 ~~vehicle identification numbers or license numbers of those~~
28 ~~vehicles.~~

29 ~~(b) Advertise the total price of a vehicle without including all~~
30 ~~costs to the purchaser at time of sale, except taxes, vehicle~~
31 ~~registration fees, the California tire fee, as defined in Section~~
32 ~~42885 of the Public Resources Code, emission testing fees not~~
33 ~~exceeding fifty dollars (\$50), actual fees charged for certificates~~
34 ~~pursuant to Section 44060 of the Health and Safety Code, finance~~
35 ~~charges, and any dealer document preparation charge. The dealer~~
36 ~~document preparation charge shall not exceed forty-five dollars~~
37 ~~(\$45).~~

38 ~~(c) (1) Exclude from an advertisement of a vehicle for sale~~
39 ~~that there will be added to the advertised total price at the time of~~
40 ~~sale, charges for sales tax, vehicle registration fees, the California~~

1 tire fee, the fee charged by the state for the issuance of any
2 certificate of compliance or noncompliance pursuant to any
3 statute, finance charges, and any dealer document preparation
4 charge.

5 (2) The obligations imposed by paragraph (1) shall be satisfied
6 by adding to the advertisement a statement containing no
7 abbreviations and that is worded in substantially the following
8 form: "Plus government fees and taxes, any finance charges, any
9 dealer document preparation charge, and any emission testing
10 charge."

11 (3) For purposes of paragraph (1), "advertisement" means any
12 advertisement in a newspaper, magazine, or direct mail
13 publication that is two or more columns in width or one column
14 in width and more than seven inches in length, or on any Web
15 page of a dealer's Web site that displays the price of a vehicle
16 offered for sale on the Internet, as that term is defined in
17 paragraph (6) of subdivision (e) of Section 17538 of the Business
18 and Professions Code.

19 (d) Represent the dealer document preparation charge or
20 certificate of compliance or noncompliance fee, as a
21 governmental fee.

22 (e) Fail to sell a vehicle to any person at the advertised total
23 price, exclusive of taxes, vehicle registration fees, the California
24 tire fee, the fee charged by the state for the issuance of any
25 certificate of compliance or noncompliance pursuant to any
26 statute, finance charges, mobilehome escrow fees, the amount of
27 any city, county, or city and county imposed fee or tax for a
28 mobilehome, and any dealer document preparation charge, which
29 charges shall not exceed forty-five dollars (\$45) for the document
30 preparation charge and not to exceed fifty dollars (\$50) for
31 emission testing plus the actual fees charged for certificates
32 pursuant to Section 44060 of the Health and Safety Code, while
33 the vehicle remains unsold, unless the advertisement states the
34 advertised total price is good only for a specified time and the
35 time has elapsed. Advertised vehicles shall be sold at or below
36 the advertised total price, with statutorily permitted exclusions,
37 regardless of whether the purchaser has knowledge of the
38 advertised total price.

1 ~~(f) (1) Advertise for sale, sell, or purchase for resale any new~~
2 ~~vehicle of a line-make for which the dealer does not hold a~~
3 ~~franchise.~~

4 ~~(2) This subdivision does not apply to any transaction~~
5 ~~involving any of the following:~~

6 ~~(A) A mobilehome.~~

7 ~~(B) A recreational vehicle as defined in Section 18010 of the~~
8 ~~Health and Safety Code.~~

9 ~~(C) A commercial coach, as defined in Section 18001.8 of the~~
10 ~~Health and Safety Code.~~

11 ~~(D) An off-highway motor vehicle subject to identification as~~
12 ~~defined in Section 38012.~~

13 ~~(E) A manufactured home.~~

14 ~~(F) A new vehicle that will be substantially altered or modified~~
15 ~~by a converter prior to resale.~~

16 ~~(G) A commercial vehicle with a gross vehicle weight rating~~
17 ~~of more than 10,000 pounds.~~

18 ~~(H) A vehicle purchased for export and exported outside the~~
19 ~~territorial limits of the United States without being registered~~
20 ~~with the department.~~

21 ~~(g) Sell a park trailer, as specified in Section 18009.3 of the~~
22 ~~Health and Safety Code, without disclosing in writing to the~~
23 ~~purchaser that a park trailer is required to be moved by a~~
24 ~~transporter or a licensed manufacturer or dealer under a permit~~
25 ~~issued by the Department of Transportation or a local authority~~
26 ~~with respect to highways under their respective jurisdictions.~~

27 ~~(h) Advertise free merchandise, gifts, or services provided by~~
28 ~~a dealer contingent on the purchase of a vehicle. The term “free”~~
29 ~~includes merchandise or services offered for sale at a price less~~
30 ~~than the seller’s cost of the merchandise or services.~~

31 ~~(i) Advertise vehicles, and related goods or services, at a~~
32 ~~specified dealer price, with the intent not to supply reasonably~~
33 ~~expectable demand, unless the advertisement discloses the~~
34 ~~number of vehicles in stock at the advertised price. In addition,~~
35 ~~whether or not there are sufficient vehicles in stock to supply a~~
36 ~~reasonably expectable demand, when phrases such as “starting~~
37 ~~at,” “from,” “beginning as low as,” or words of similar import~~
38 ~~are used in reference to an advertised price, the advertisement~~
39 ~~shall disclose the number of vehicles available at that advertised~~
40 ~~price.~~

~~For purposes of this subdivision, in any newspaper advertisement for a vehicle that is two model-years old or newer, the actual phrase that states the number of vehicles in stock at the advertised price shall be (1) printed in a type size that is at least equal to one-quarter of the type size, and in the same style and color of type, used for the advertised price, however, in no case shall the phrase be printed in less than 8-point type size, and (2) be disclosed immediately above, below, or beside the advertised price without any intervening words, pictures, marks, or symbols.~~

~~The disclosure required by this subdivision is in addition to any other disclosure required by this code or any regulation regarding identifying vehicles advertised for sale.~~

~~(j) Use the term “rebate” or similar words such as “cash back” in advertising the sale of a vehicle unless the rebate is expressed in a specific dollar amount and is in fact a rebate offered by the vehicle manufacturer or distributor directly to the retail purchaser of the vehicle or to the assignee of the retail purchaser.~~

~~(k) Require a person to pay a higher price for a vehicle and related goods or services for receiving advertised credit terms than the cash price the same person would have to pay to purchase the same vehicle and related goods or services. For the purpose of this subdivision, “cash price” has the meaning as defined in subdivision (e) of Section 2981 of the Civil Code.~~

~~(l) Advertise a guaranteed trade-in allowance.~~

~~(m) Misrepresent the authority of a salesperson, representative, or agent to negotiate the final terms of a transaction.~~

~~(n) (1) Use the terms “invoice,” “dealer’s invoice,” “wholesale price,” or similar terms that refer to a dealer’s cost for a vehicle in an advertisement for the sale of a vehicle or advertise that the selling price of a vehicle is above, below, or at either of the following:~~

~~(A) The manufacturer’s or distributor’s invoice price to a dealer.~~

~~(B) A dealer’s cost.~~

~~(2) This subdivision does not apply to either of the following:~~

~~(A) Any communication occurring during face-to-face negotiations for the purchase of a specific vehicle if the prospective purchaser initiates a discussion of the vehicle’s invoice price or the dealer’s cost for that vehicle.~~

1 ~~(B) Any communication between a dealer and a prospective~~
2 ~~commercial purchaser that is not disseminated to the general~~
3 ~~public. For purposes of this subparagraph, a “commercial~~
4 ~~purchaser” means a dealer, lessor, lessor-retailer, manufacturer,~~
5 ~~remanufacturer, distributor, financial institution, governmental~~
6 ~~entity, or person who purchases 10 or more vehicles during a~~
7 ~~year.~~

8 ~~(o) Violate any law prohibiting bait and switch advertising,~~
9 ~~including, but not limited to, the guides against bait advertising~~
10 ~~set forth in Part 238 (commencing with Section 238) of Title 16~~
11 ~~of the Code of Federal Regulations, as those regulations read on~~
12 ~~January 1, 1988.~~

13 ~~(p) Make any untrue or misleading statement indicating that a~~
14 ~~vehicle is equipped with all the factory installed optional~~
15 ~~equipment the manufacturer offers, including, but not limited to,~~
16 ~~a false statement that a vehicle is “fully factory equipped.”~~

17 ~~(q) Affix on any new vehicle a supplemental price sticker~~
18 ~~containing a price that represents the dealer’s asking price which~~
19 ~~exceeds the manufacturer’s suggested retail price unless all of the~~
20 ~~following occur:~~

21 ~~(1) The supplemental sticker clearly and conspicuously~~
22 ~~discloses in the largest print appearing on the sticker, other than~~
23 ~~the print size used for the dealer’s name, that the supplemental~~
24 ~~sticker price is the dealer’s asking price, or words of similar~~
25 ~~import, and that it is not the manufacturer’s suggested retail~~
26 ~~price.~~

27 ~~(2) The supplemental sticker clearly and conspicuously~~
28 ~~discloses the manufacturer’s suggested retail price.~~

29 ~~(3) The supplemental sticker lists each item which is not~~
30 ~~included in the manufacturer’s suggested retail price, and~~
31 ~~discloses the additional price of each item. If the supplemental~~
32 ~~sticker price is greater than the sum of the manufacturer’s~~
33 ~~suggested retail price and the price of the items added by the~~
34 ~~dealer, then the supplemental sticker price shall set forth that~~
35 ~~difference and describe it as “added mark-up.”~~

36 ~~(r) Advertise any underselling claim, such as “we have the~~
37 ~~lowest prices” or “we will beat any dealer’s price,” unless the~~
38 ~~dealer has conducted a recent survey showing that the dealer sells~~
39 ~~its vehicles at lower prices than any other licensee in its trade~~
40 ~~area and maintains records to adequately substantiate the claims.~~

~~The substantiating records shall be made available to the department upon request.~~

~~(s) Advertise any incentive offered by the manufacturer or distributor if the dealer is required to contribute to the cost of the incentive as a condition of participating in the incentive program, unless the dealer discloses in a clear and conspicuous manner that dealer participation may affect consumer cost.~~

~~For purposes of this subdivision, “incentive” means anything of value offered to induce people to purchase a vehicle, including, but not limited to, discounts, savings claims, rebates, below-market finance rates, and free merchandise or services.~~

~~(t) Display or offer for sale any used vehicle unless there is affixed to the vehicle the Federal Trade Commission’s Buyer’s Guide as required by Part 455 of Title 16 of the Code of Federal Regulations.~~

~~(u) Fail to disclose in writing to the franchisor of a new motor vehicle dealer the name of the purchaser, date of sale, and the vehicle identification number of each new motor vehicle sold of the line make of that franchisor, or intentionally submit to that franchisor a false name for the purchaser or false date for the date of sale.~~

~~(v) Enter into a contract for the retail sale of a motor vehicle unless the contract clearly and conspicuously discloses whether the vehicle is being sold as a new vehicle or a used vehicle, as defined in this code.~~

~~(w) Use a simulated check, as defined in subdivision (a) of Section 22433 of the Business and Professions Code, in an advertisement for the sale or lease of a vehicle.~~

~~(x) Fail to disclose, in a clear and conspicuous manner in at least 10-point bold type on the face of any contract for the retail sale of a new motor vehicle that this transaction is, or is not, subject to a fee received by an autobroker from the selling new motor vehicle dealer, and the name of the autobroker, if applicable.~~

~~(y) As used in this section, the terms “make” and “model” have the same meaning as is provided in Section 565.3 of Title 49 of the Code of Federal Regulations.~~

~~(z) Advertise for sale or sell a used vehicle as “certified” or use any similar descriptive term in the advertisement or the sale of a~~

1 ~~used vehicle that implies the vehicle has been certified to meet~~
2 ~~the terms of a used vehicle certification program unless:~~

3 ~~(1) The vehicle has not sustained damage that substantially~~
4 ~~impairs its use or safety to the buyer.~~

5 ~~(2) The odometer on the vehicle indicates actual mileage, and~~
6 ~~has not been rolled back or otherwise altered to show fewer~~
7 ~~miles, or replaced with an odometer showing fewer miles than~~
8 ~~actually driven.~~

9 ~~(3) The dealer has no actual knowledge that the vehicle has~~
10 ~~been repurchased by a dealer or manufacturer pursuant to a state~~
11 ~~or federal warranty statute.~~

12 ~~(4) The title to the vehicle has not been inscribed with the~~
13 ~~notation “Lemon Law Buyback,” “manufacturer repurchase,”~~
14 ~~“salvage,” “junk,” “nonrepairable,” “flood,” or similar~~
15 ~~designation or title designation required by this state or another~~
16 ~~state.~~

17 ~~(5) The vehicle has been inspected by a technician or~~
18 ~~technicians qualified to inspect for collision repair and~~
19 ~~mechanical condition.~~

20 ~~(6) Prior to sale, the dealer provides the buyer with a~~
21 ~~completed inspection report indicating all the components~~
22 ~~inspected pursuant to the vehicle certification program and~~
23 ~~whether the components meet the standards of the vehicle~~
24 ~~certification program.~~

25 ~~(7) The dealer does not disclaim any warranties of~~
26 ~~merchantability on the vehicle.~~

27 ~~(8) The vehicle is not sold “AS IS.”~~

28 ~~(aa) (1) Nothing in subdivision (z) shall be construed to require~~
29 ~~that a seller offer a “certified” vehicle program.~~

30 ~~(2) For purposes of this section, “dealer” means a person~~
31 ~~licensed pursuant to this article and primarily engaged in the~~
32 ~~business of selling or leasing motor vehicles under a conditional~~
33 ~~sale contract to a consumer.~~

34 ~~(3) All requirements in subdivision (z) are minimum~~
35 ~~requirements, and do not preclude a seller from offering a~~
36 ~~“certification” program that is more protective of the buyer.~~

37 ~~SEC. 8. Section 11713.16 is added to the Vehicle Code, to~~
38 ~~read:~~

39 ~~11713.16. (a) It is unlawful and a violation of this code for a~~
40 ~~dealer to do any of the following:~~

~~(1) Negotiate the terms of a vehicle sale or lease contract and then add charges to the contract for any goods or services without previously disclosing the costs to the buyer of the goods and services to be added and obtaining the buyer's consent.~~

~~(2) Inflate the amount of any installment payment or downpayment or extend the maturity of a sale or lease contract for the purpose of disguising the actual charges for goods or services to be added by the dealer to the contract.~~

~~(b) For purposes of this section, the following terms have the following meanings:~~

~~(1) "Dealer" means a person primarily engaged in the business of selling or leasing motor vehicles under a conditional sale contract to a consumer.~~

~~(2) "Goods or services" means any type of good or service, including, but not limited to, insurance and service contracts.~~

SEC. 7. Section 11713.18 is added to the Vehicle Code, to read:

11713.18. (a) It is a violation of this code for the holder of any dealer's license issued under this article to advertise for sale or sell a used vehicle as "certified" or use any similar descriptive term in the advertisement or the sale of a used vehicle that implies the vehicle has been certified to meet the terms of a used vehicle certification program unless the following applies:

(1) The dealer knows or should have known that the odometer on the vehicle indicates actual mileage, and has not been rolled back or otherwise altered to show fewer miles, or replaced with an odometer showing fewer miles than actually driven.

(2) The vehicle is not a vehicle that the dealer knows or should have known to have been reacquired by the vehicle's manufacturer or a dealer pursuant to state or federal warranty laws.

(3) The title to the vehicle has not been inscribed with the notation "Lemon Law Buyback," "manufacturer repurchase," "salvage," "junk," "nonrepairable," "flood," or similar designation or title designation required by this state or another state.

(4) The vehicle has not sustained damage in impact, fire, or flood, that after repair substantially impairs the use or safety of the vehicle.

1 (5) *The vehicle is not a vehicle that the dealer knows or should*
2 *have known to have sustained frame damage.*

3 (6) *Prior to sale, the dealer provides the buyer with a*
4 *completed inspection report indicating all the components*
5 *inspected pursuant to the vehicle certification program and*
6 *certifies that all of the inspected components meet the express*
7 *written standards of the vehicle certification program.*

8 (7) *Prior to the sale, the dealer provides the buyer with a*
9 *vehicle history report obtained from a third-party provider. A*
10 *dealer shall not be liable for any information contained in a*
11 *vehicle history report obtained from a third-party provider.*

12 (8) *The dealer does not disclaim any warranties of*
13 *merchantability on the vehicle unless the vehicle is subject to an*
14 *express written warranty.*

15 (9) *The vehicle is not sold "AS IS."*

16 (b) *Nothing in this section shall be construed to require that a*
17 *seller offer a "certified" vehicle program.*

18 (c) *All the requirements of this section are minimum*
19 *requirements, and do not preclude a seller from offering a*
20 *"certification" program that is more protective of the buyer.*

21 (d) *The buyer is entitled to any and all legal remedies*
22 *available under the Consumer Legal Remedies Act (Title 1.5*
23 *commencing with Section 1750) of Part 4 of Division 3 of the*
24 *Civil Code), the Unfair Competition Law (Chapter 5*
25 *commencing with Section 17200) of part 2 of Division 7 of the*
26 *Business and Professions Code), or any other pertinent state or*
27 *federal statute.*

28 SEC. 8. *Section 11713.19 is added to the Vehicle Code, to*
29 *read:*

30 11713.19. *It is unlawful and a violation of this code for the*
31 *holder of any dealer's license issued under this article to do any*
32 *of the following:*

33 (a) *Negotiate the terms of a vehicle sale or lease contract and*
34 *then add charges to the contract for any goods or services*
35 *without previously disclosing to the consumer the price of the*
36 *goods and services to be added and obtaining the consumer's*
37 *consent.*

38 (b) (1) *Inflate the amount of an installment payment or down*
39 *payment or extend the maturity of a sale or lease contract for the*

1 *purpose of disguising the actual charges for goods or services to*
2 *be added by the dealer to the contract.*

3 *(2) For purposes of paragraph (1), “goods or services” means*
4 *any type of good or service, including, but not limited to,*
5 *insurance and service contracts.*

6 *SEC. 9. Section 11713.20 is added to the Vehicle Code, to*
7 *read:*

8 *11713.20. A dealer that obtains a consumer credit score, as*
9 *defined in subdivision (b) of Section 1785.15.1 of the Civil Code,*
10 *from a consumer credit reporting agency, as defined in*
11 *subdivision (d) of Section 1785.3 of the Civil Code, for use in*
12 *connection with an application for credit initiated by a consumer*
13 *for the purchase or lease of a motor vehicle for personal, family,*
14 *or household use shall provide, prior to the sale or lease of the*
15 *vehicle the following information to the consumer in at least*
16 *10-point boldface type on a document separate from the sale or*
17 *lease contract:*

18 *(a) The credit score obtained and used by the dealer and the*
19 *name of the credit reporting agency providing the credit score to*
20 *the dealer.*

21 *(b) The range of possible credit scores established by the*
22 *credit reporting agency that provided the credit score.*

23 *(c) The following notice, which shall include the name,*
24 *address, and telephone number of each credit reporting agency*
25 *providing a credit score that was obtained and used by the*
26 *dealer:*

27 *“NOTICE TO VEHICLE CREDIT APPLICANT*

28 *If the dealer obtains and uses a credit score from a credit*
29 *reporting agency in connection with your application to finance*
30 *the acquisition of a vehicle, the dealer must disclose the score to*
31 *you.*

32 *The credit score is a computer generated summary calculated*
33 *by a credit reporting agency at the time the dealer requests the*
34 *score and is based on information the credit reporting agency*
35 *has on file. The scores are based on data about your credit*
36 *history and payment patterns. Credit scores are important*
37 *because they are used in determining whether to extend credit.*
38 *The score may also be used to determine the annual percentage*
39 *rate you may be offered. Credit scores can change over time,*
40 *depending on your conduct, how your credit history and payment*

1 *patterns change, and how credit scoring technologies change.*
2 *Credit scores may also vary from one credit reporting agency to*
3 *another.*

4 *If you have questions about your credit score, contact the*
5 *credit reporting agency at the address and telephone number*
6 *provided. The credit reporting agency does not participate in the*
7 *decision to take any action on your application for credit and is*
8 *unable to provide you with specific reasons for any decision on*
9 *the credit application.*

10 *If you have questions concerning credit terms relative to your*
11 *purchase or lease of a vehicle, ask the dealer.”*

12 *(d) This section does not require a dealer to provide more*
13 *than one disclosure for each purchase or lease transaction.*

14 *SEC. 10. Section 11713.21 is added to the Vehicle Code, to*
15 *read:*

16 *11713.21. (a) A dealer shall not sell a used vehicle, as*
17 *defined in Section 665, at retail to an individual for personal,*
18 *family, or household use without offering the buyer a contract*
19 *cancellation option agreement that allows the buyer to return the*
20 *vehicle without cause. The purchase price for the contract*
21 *cancellation option shall not exceed two hundred fifty dollars*
22 *(\$250). This section does not apply to a used vehicle having a*
23 *purchase price of forty thousand dollars (\$40,000) or more.*

24 *(b) To comply with subdivision (a), and notwithstanding*
25 *Section 2981.9 of the Civil Code, a contract cancellation option*
26 *agreement shall be contained in a document separate from the*
27 *conditional sale contract or other vehicle purchase agreement*
28 *and shall contain, at a minimum, the following:*

29 *(1) The name of the seller and the buyer.*

30 *(2) A description of the vehicle purchased.*

31 *(3) A statement specifying the time within which the buyer*
32 *must exercise the right to cancel the purchase under the contract*
33 *cancellation option and return the vehicle to the dealer. The*
34 *dealer shall not specify a time that is earlier than the close of*
35 *business on the third day following the day on which the vehicle*
36 *was originally delivered to the buyer by the dealer.*

37 *(4) A statement specifying the dollar amount of any restocking*
38 *fee the buyer must pay to the dealer to exercise the right to*
39 *cancel the purchase under the contract cancellation option. The*
40 *restocking fee shall not exceed three hundred fifty dollars (\$350)*

1 *if the vehicle's purchase price is less than ten thousand dollars*
2 *(\$10,000) and not exceed five hundred dollars (\$500) if the*
3 *vehicle purchase price is ten thousand dollars (\$10,000) or more.*
4 *The dealer shall apply toward the restocking fee the price paid*
5 *by the buyer for the contract cancellation option. The purchase*
6 *price for purchase of the contract cancellation option is not*
7 *otherwise subject to setoff or refund.*

8 *(5) A statement specifying the maximum number of miles that*
9 *the vehicle may be driven after its original delivery by the dealer*
10 *to the buyer to remain eligible for cancellation under the*
11 *contract cancellation option. A dealer shall not specify fewer*
12 *than 250 miles in the contract cancellation option agreement.*

13 *(6) A statement that the contract cancellation option gives the*
14 *buyer the right to cancel the purchase and obtain a full refund,*
15 *minus the purchase price for the contract cancellation option*
16 *agreement if the agreement was financed in a conditional sale*
17 *contract; and that the right to cancel will apply only if, within the*
18 *time specified in the contract cancellation option agreement, the*
19 *following are personally delivered to the selling dealer by the*
20 *buyer: a written notice exercising the right to cancel the*
21 *purchase signed by the buyer; any restocking fee specified in the*
22 *contract cancellation option agreement minus the purchase price*
23 *for the contract cancellation option agreement; the original*
24 *contract cancellation option agreement and vehicle purchase*
25 *contract and related documents; all original vehicle titling and*
26 *registration documents; and the vehicle, free of all liens and*
27 *encumbrances and in the same condition as when it was*
28 *delivered by the dealer to the buyer, reasonable wear and tear*
29 *excepted, and which must not have been driven beyond the*
30 *mileage limit specified in the purchase cancellation agreement.*
31 *The agreement may also provide that the buyer will execute*
32 *documents reasonably necessary to effectuate the cancellation*
33 *and refund and as reasonably required to comply with applicable*
34 *law.*

35 *(7) At the bottom of the contract cancellation option*
36 *agreement, a statement that may be signed by the buyer to*
37 *indicate the buyer's election to exercise the right to cancel the*
38 *purchase under the terms of the contract cancellation option*
39 *agreement, followed by a line for the buyer's signature. A*
40 *particular form of statement is not required, but the following*

1 statement is sufficient: "By signing below, I elect to exercise my
2 right to cancel the purchase of the vehicle described in this
3 agreement." The buyer's delivery of the purchase cancellation
4 agreement to the dealer with the buyer's signature following this
5 statement shall constitute sufficient written notice exercising the
6 right to cancel the purchase under paragraph (5).

7 (c) No later than the second day following the day on which
8 the buyer exercises the right to cancel the purchase in
9 compliance with the contract cancellation option agreement, the
10 dealer shall cancel the contract and provide the buyer with a full
11 refund, including that portion of the sales tax attributable to
12 amounts excluded pursuant to Section 6012.3 of the Revenue and
13 Taxation Code. The full refund shall include any motor vehicle
14 the buyer left with the seller as a downpayment or trade-in. If the
15 seller has sold or otherwise transferred title to the motor vehicle
16 that was left as a downpayment or trade-in, the full refund shall
17 include the fair market value of the motor vehicle left as a
18 downpayment or trade-in, or its value as stated in the contract or
19 purchase order, whichever is greater.

20 (d) Notwithstanding subdivision (a), a dealer is not required to
21 offer a contract cancellation option agreement to an individual
22 who exercised his or her right to cancel the purchase of a vehicle
23 from the dealer pursuant to a contract cancellation option
24 agreement during the immediately preceding 30 days. A dealer is
25 not required to give notice to a subsequent buyer of the return of
26 a vehicle pursuant to this section.

27 (e) Notwithstanding the existence of a contract cancellation
28 option agreement or the return of a vehicle pursuant to a
29 contract cancellation option agreement, responsibility for any
30 and all liabilities, damages, costs, expenses, fines, penalties, or
31 other legal obligations arising out of the buyer's operation, use,
32 possession, or ownership of the motor vehicle shall remain with
33 the buyer and shall not be imposed on the dealer, its agents or
34 assigns or, following return of the vehicle to the dealer pursuant
35 to a contract cancellation option agreement, levied against the
36 vehicle. The existence of a contract cancellation option
37 agreement shall not impose or otherwise support the existence of
38 permissive use liability on the dealer, its agents, or assigns under
39 Vehicle Code Sections 17150, 460, or otherwise.

1 (f) *Nothing in this section is intended to affect the ability of a*
2 *buyer to rescind the contract for cause as described in Section*
3 *1689 of the Civil Code.*

4 *SEC. 11. This act shall become operative on July 1, 2006.*

5 ~~SEC. 9.~~

6 *SEC. 12.* No reimbursement is required by this act pursuant to
7 Section 6 of Article XIII B of the California Constitution because
8 the only costs that may be incurred by a local agency or school
9 district will be incurred because this act creates a new crime or
10 infraction, eliminates a crime or infraction, or changes the
11 penalty for a crime or infraction, within the meaning of Section
12 17556 of the Government Code, or changes the definition of a
13 crime within the meaning of Section 6 of Article XIII B of the
14 California Constitution.